

November 14, 2000

**To:** Senator Sid Snyder, Chairman  
Senator Dan McDonald  
Representative Hans Dunshee  
Representative Brian Thomas  
Fred Kiga, Director, Department of Revenue  
Marty Brown Director, OFM

**From:** Change Mook Sohn, Executive Director  
Office of the Forecast Council

**Subject:** NOVEMBER 10, 2000 REVENUE COLLECTION REPORT

General Fund-State collections were \$41.2 million above the September forecast in the October 11 - November 10 collection period. However, most of this was due a lottery transfers to the General Fund and not to a stronger economy. Lottery transfers were \$33.9 million higher than expected due to a record high lotto jackpot in October. The state's major excise tax receipts were only a little higher than expected, with Revenue Act (retail sales, business and occupation, use and public utility) receipts \$2.2 million above the estimate. Higher collections this period increase the cumulative variance since the September forecast to \$47.9 million, \$16 million excluding the lottery. Collections this month were pretty much in line with the forecast, the lottery aside, and reflect a slowing but still quite healthy economy.

Higher than expected Revenue Act collections this month increases the Revenue Act's variance since the September forecast to a plus \$9.2 million. Collections this month primarily reflect September activity of monthly taxpayers and third quarter activity of quarterly filers. This month's receipts include an unusually large tax assessment payment (\$4.5 million). For the month, Revenue Act collections were up 4.0 percent (adjusting for special factors), a little less than last month's revised 4.8 percent increase. Growth for the third quarter was 3.9 percent, well below the 6.3 percent increase in the second quarter and the very strong 8.6 percent increase reported in the first quarter. Third quarter's 3.9 percent increase is the weakest quarterly increase since early in 1998 and is consistent with slower economic growth nationally and at the state level.

Nationally, the pace of economic activity decelerated sharply in the third quarter with real GDP increasing at a 2.7 percent annual rate, less than half the 5.6 percent rate the quarter before. This is the weakest increase in five quarters and less than what we were assuming in the September forecast. At the state level employment growth slowed to 0.7 percent in the third quarter, the weakest increase since the second quarter of 1999.

Preliminary data on tax payments in the October 11 - November 10 collection period showed mid-single digit year-over-year growth for most sectors. Stronger growth was reported by the construction (7.0 percent) and finance, insurance and real estate (9.0percent) sectors. Still, unlike the past several months no 2-digit sector reported a double-digit increase. The retailing sector was a little weaker than the overall average. High single digit increases in the furniture/household equipment and eating/drinking sectors were offset by declines in the building materials and food store sectors.

Other General Fund taxes collected by the Department of Revenue were \$5.1 million above the estimate for the month. Cumulatively, these taxes are now \$9.2 million above the September forecast. For the month, major taxes were about as expected with property tax and real estate excise tax payments a little weaker than expected while cigarette, liquor and estate tax payments were a little stronger than expected. The major source of variance for the month (as well as cumulatively since September) was the "other" category, which was \$5.9 million above the estimate for the month and \$4.9 million cumulatively since September. This variance is due primarily to three revenue sources: the leasehold excise tax, unclaimed property transfers and brokered natural gas tax payments. In all three cases receipts in October were very strong: leasehold excise tax payments were 65 percent above year-ago levels, unclaimed property transfers were more than 300 percent higher than a year-ago in September and October, and brokered natural gas payments were more than double the year-ago level. These taxes are very volatile on a monthly basis, and some of \$5.9 million variance in this category may be offset by weaker collections in the coming months.

Real estate activity continued to slow. Taxable activity based on closings in the month of September (reflecting payments to the state in October) were 7.2 percent lower than a year ago, well below last month's 5.1 percent increase. Taxable real estate activity has now declined three of the last four months and is 1.5 percent below a year-ago for the first nine months of 2000. Weakness in the number of transactions continues to be the source of slower activity with transactions down 9.5 percent for the month and 6.0 percent for the year-to-date. Growth of the value per transaction continues to be positive but it too has slowed from earlier in the year.

Other agencies' General Fund collections were \$33.9 million above the forecast in October, virtually all due to much stronger than expected lottery transfers. Lottery transfers for the month were a record \$43.1 million. This is more than five times the average monthly transfer over the last year. The large transfer was due to a record lotto jackpot in October, which generated very strong sales.

The attached table 1 provides a comparison of collections with estimates for the current mid-month period, October 11 - November 10, and cumulatively since our last forecast. Table 2 compares revised collection figures to the preliminary numbers reported in last month's mid-month report.

**TABLE 1**  
**Revenue Collection Report**  
**November 10, 2000 Collections Compared to the September 2000 Forecast**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
<b>October 11 - November 10, 2000</b>				
Department of Revenue-Total	\$914,715	\$922,007	\$7,292	0.8%
Revenue Act** (1)	812,708	814,901	2,194	0.3%
Non-Revenue Act(2)	102,007	107,106	5,098	5.0%
Liquor Sales/Liter	6,765	7,050	285	4.2%
Cigarette	6,038	6,382	343	5.7%
Property (State School Levy)	34,502	32,839	(1,662)	-4.8%
Estate	8,677	9,397	720	8.3%
Real Estate Excise	33,795	33,338	(457)	-1.4%
Timber (state share)	0	0	0	NA
Other	12,231	18,100	5,869	48.0%
Department of Licensing (2)	681	608	(73)	-10.7%
Lottery (2)	9,130	43,070	33,940	371.7%
<b>Total General Fund-State***</b>	<b>\$924,526</b>	<b>\$965,684</b>	<b>\$41,158</b>	<b>4.5%</b>
<b>Cumulative Variance Since the September Forecast (September 11 - November 10, 2000)3</b>				
Department of Revenue-Total	\$1,623,396	1,639,385	15,990	1.0%
Revenue Act** (3)	1,452,192	1,461,397	9,205	0.6%
Non-Revenue Act(4)	171,204	177,988	6,785	4.0%
Liquor Sales/Liter	13,659	14,554	894	6.5%
Cigarette	12,248	12,371	123	1.0%
Property (State School Levy)	42,148	39,119	(3,028)	-7.2%
Estate	17,239	17,769	530	3.1%
Real Estate Excise	68,575	71,987	3,412	5.0%
Timber (state share)	0	0	0	NA
Other	17,335	22,188	4,854	28.0%
Department of Licensing (4)	1,468	1,728	261	17.8%
Lottery (4)	18,261	49,954	31,693	173.6%
<b>Total General Fund-State***</b>	<b>\$1,643,124</b>	<b>\$1,691,068</b>	<b>\$47,944</b>	<b>2.9%</b>

1 Collections October 11 - November 10, 2000. Collections primarily reflect September 2000 activity of monthly taxpayers and July-September activity of quarterly filers.

2 October 1-31, 2000 collections.

3 Cumulative collections, estimates and variance since the September forecast; (Sept. 11- November 10, 2000) and revisions to history.

4 Cumulative collections, estimates and variance since the September forecast; (September & October 2000) and revisions to history.)

\* Based on the September 2000 economic and revenue forecast.

\*\*The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

\*\*\* Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

**TABLE 2**  
**October 10, 2000 Collection Report - Revised Data**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Collections Preliminary</u>	<u>Revised</u>	<u>Difference Amount</u>	<u>Percent</u>
<b>September 11 - October 10, 2000</b>				
Department of Revenue-Total	\$717,379	\$717,379	(\$0)	-0.0%
Revenue Act (1)	646,496	646,496	0	0.0%
Non-Revenue Act(2)	70,883	70,883	(0)	-0.0%
Liquor Sales/Liter	7,504	7,504	(0)	-0.0%
Cigarette	5,989	5,989	0	0.0%
Property (State School Levy)	6,280	6,280	(0)	-0.0%
Estate	8,372	8,372	0	0.0%
Real Estate Excise	38,650	38,650	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	4,088	4,088	0	0.0%
Department of Licensing (2)	728	728	0	0.1%
Lottery (2)	6,884	6,884	(0)	-0.0%
Total General Fund-State***	\$724,991	\$724,991	\$0	0.0%

**Cumulative Receipts: September 11 - October 10, 2000 & Revisions to History**

Department of Revenue-Total	717,379	\$717,379	(\$0)	-0.0%
Revenue Act (3)	646,496	646,496	0	0.0%
Non-Revenue Act(4)	70,883	70,883	(0)	-0.0%
Liquor Sales/Liter	7,504	7,504	(0)	-0.0%
Cigarette	5,989	5,989	0	0.0%
Property (State School Levy)	6,280	6,280	(0)	-0.0%
Estate	8,372	8,372	0	0.0%
Real Estate Excise	38,650	38,650	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	4,088	4,088	0	0.0%
Department of Licensing (4)	728	728	0	0.1%
Lottery (4)	6,884	6,884	(0)	-0.0%
<b>Total General Fund-State***</b>	<b>724,991</b>	<b>\$724,991</b>	<b>\$0</b>	<b>0.0%</b>

P-Preliminary. Reported in the October 10, 2000 collection report.

R Revised data.

1 Collections September 11 - October 10, 2000. Collections primarily reflect August 2000 business activity of monthly taxpayers.

2 September 1-30, 2000 collections.

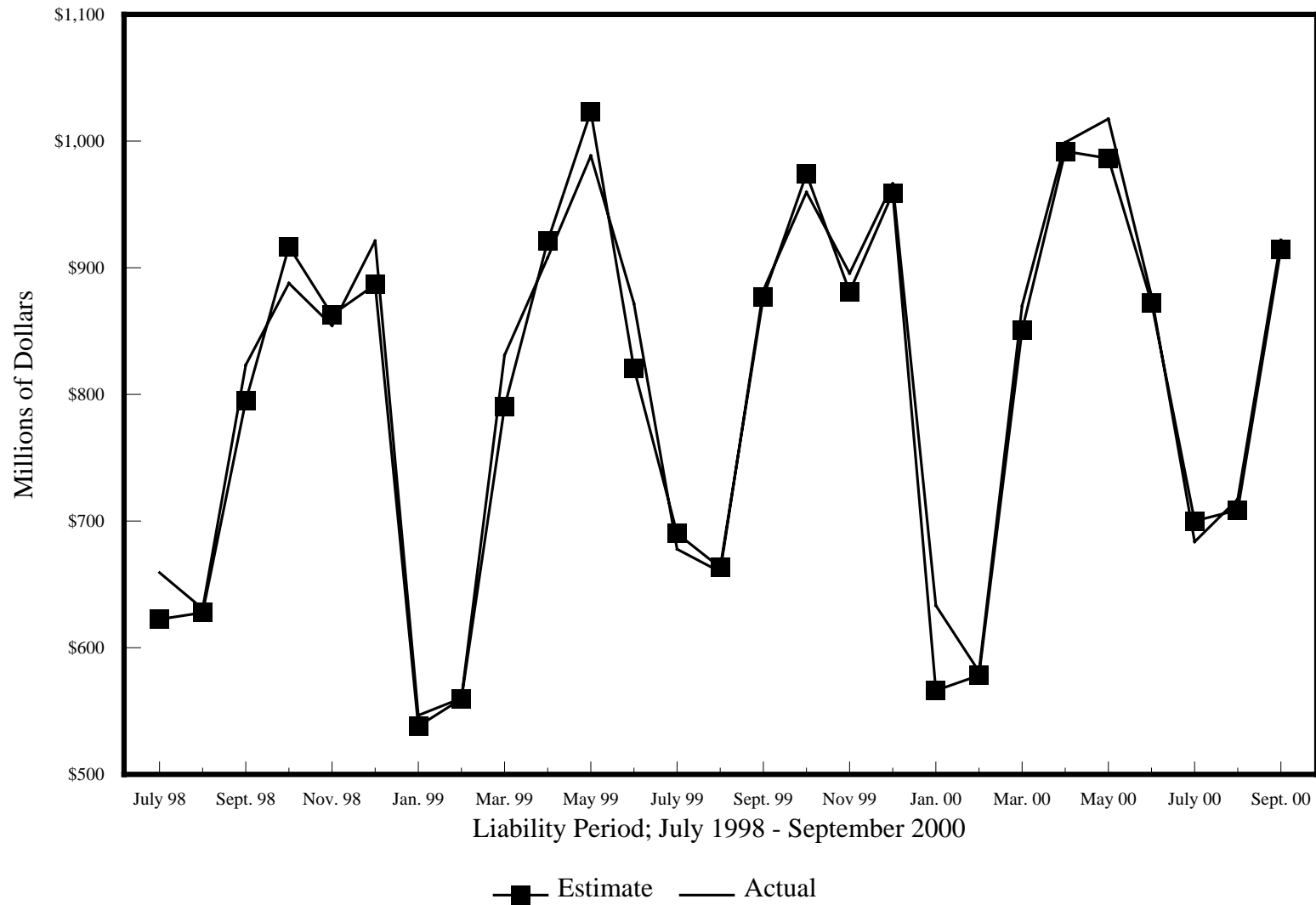
3 Cumulative variance for since the September forecast: Sept. 11 - October 10,2000 & revisions to history.

4 Cumulative variance: since the September forecast (September 2000 ) & revisions to history.

\* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

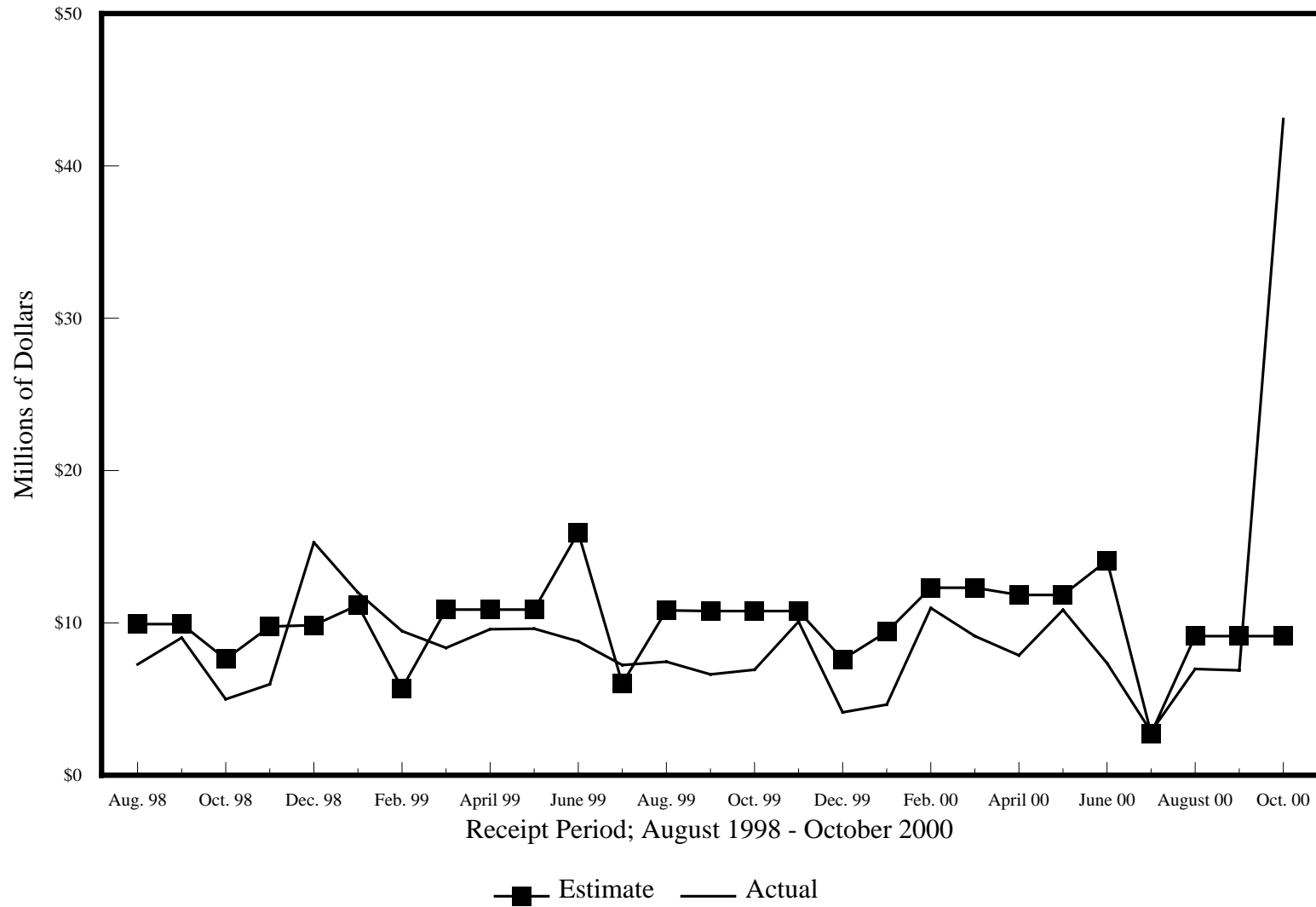
# Department of Revenue: General Fund-State, Actual vs. Estimate

July 98 to Sept. 2000



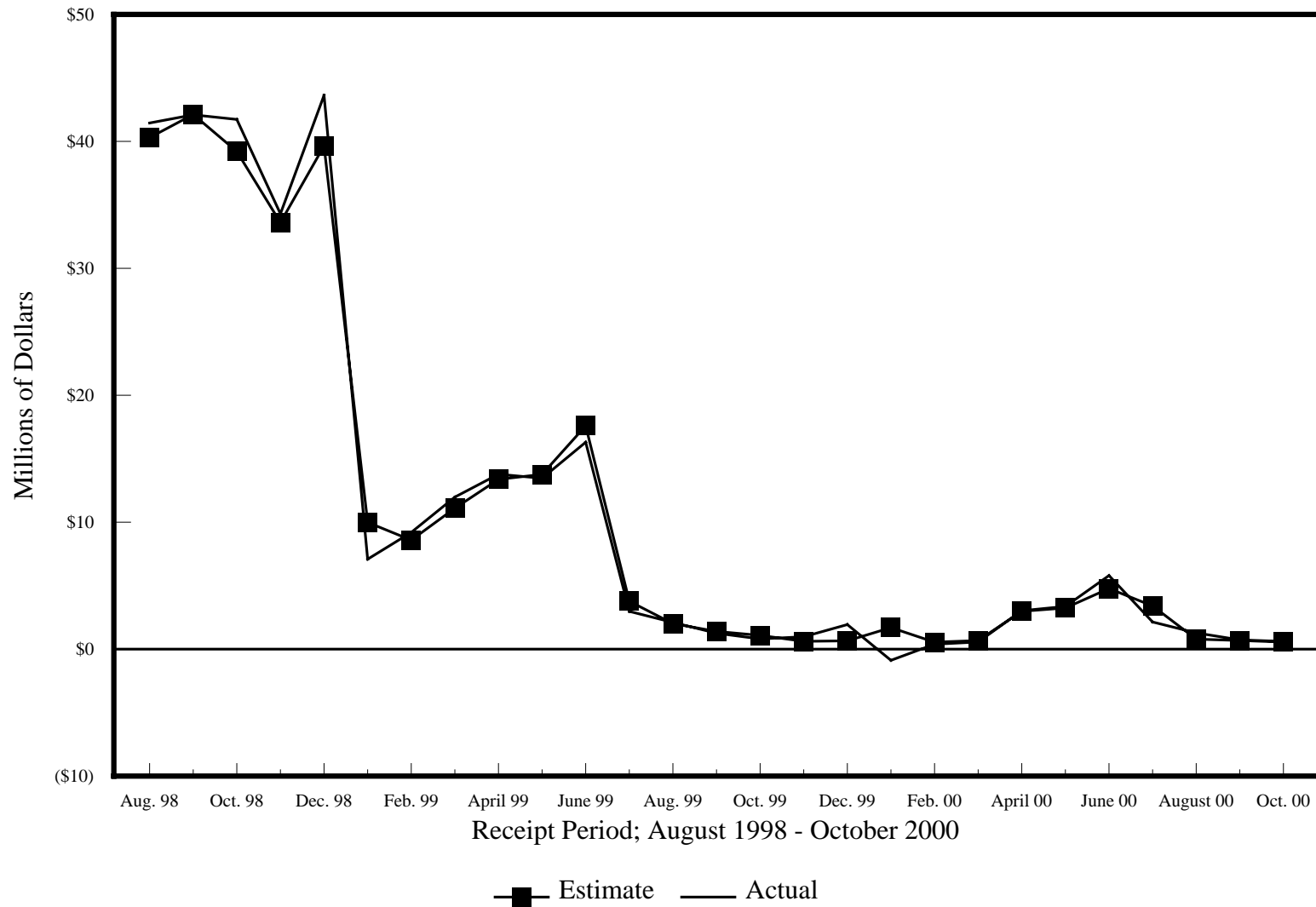
# Lottery Transfers to the General Fund, Actual vs. Estimate

August 98 to October 2000



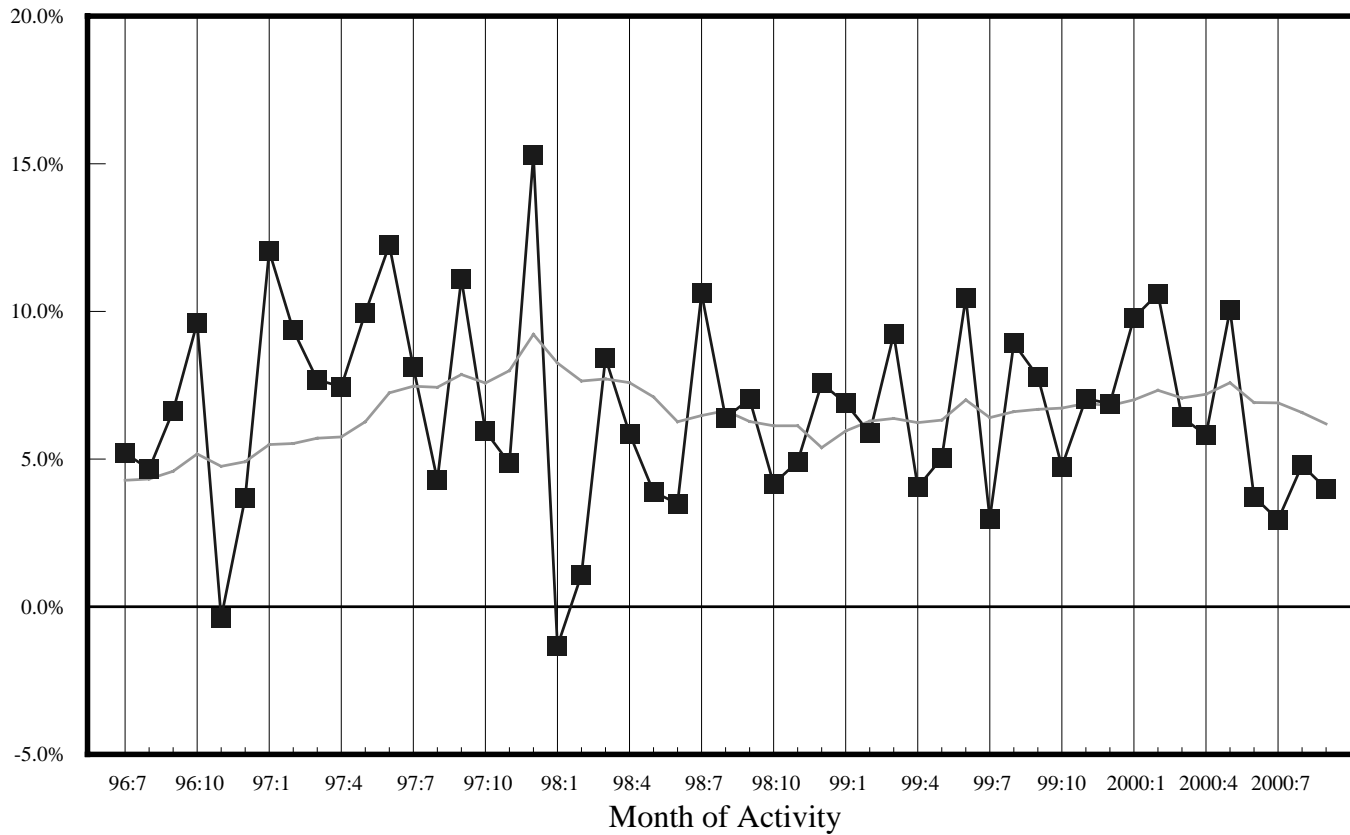
# Department of Licensing General Fund-State, Actual vs. Estimate

August 98 to October 2000



# Revenue Act Net Collections (Adjusted\*)

Year-over-Year Percent Change



■ %change from year-ago month

— %change:twelve month moving average

\*Adjusted for legislation and special factors